

**REPORT OF THE AUDIT OF THE  
HENDERSON COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2004**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE HENDERSON COUNTY FISCAL COURT**

**June 30, 2004**

The Auditor of Public Accounts has completed the audit of the Henderson County Fiscal Court for fiscal year ended June 30, 2004. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information.

#### **Financial Condition:**

The Fiscal Court had net assets of \$8,946,761 as of June 30, 2004. The Fiscal Court had unrestricted net assets of \$6,063,723 in its governmental activities as of June 30, 2004, with total net assets of \$8,919,871. In its enterprise fund, total net cash and cash equivalents were \$15,632 with total net assets of \$26,890. The Fiscal Court had total debt principal as of June 30, 2004 of \$16,974,621 with \$579,717 due within the next year.

#### **Report Comment:**

- The Fiscal Court Should Adopt An Administrative Code In Accordance With KRS 68.005

#### **Deposits:**

The Fiscal Court's deposits were insured and collateralized by bank securities.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Sandy Lee Watkins, Henderson County Judge/Executive

Members of the Henderson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henderson County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Henderson County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Henderson County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Henderson County, Kentucky, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting.

The county has implemented Governmental Accounting Standards Board Statements 33, 34, and 37 as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Sandy Lee Watkins, Henderson County Judge/Executive  
Members of the Henderson County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Henderson County, Kentucky's basic financial statements. The accompanying supplementary information and combining fund financial statements are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 3, 2004 on our consideration of Henderson County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the comment and recommendation, included herein, which discusses the following report comment:

- The Fiscal Court Should Adopt An Administrative Code In Accordance With KRS 68.005

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
December 3, 2004



HENDERSON COUNTY OFFICIALS

For The Year Ended June 30, 2004

**Fiscal Court Members:**

Sandy Lee Watkins	County Judge/Executive
Wanda Lee Branson	Magistrate
Charles G. Alexander	Magistrate
Donald Hugh McCormick	Magistrate
James C. Hicks	Magistrate
Herbert L. McKee	Magistrate

**Other Elected Officials:**

Charles McCollom	County Attorney
Miles Hart	Jailer
Renny Matthews	County Clerk
Sonny Burton	Circuit Court Clerk
Dennis Clary	Sheriff
Steve Hargis	Property Valuation Administrator
Dr. Don Cantley	Coroner

**Appointed Personnel:**

Rebecca I. Carroll	County Treasurer
Brenda Duncan-Rider	Finance Officer



## OFFICE OF THE COUNTY JUDGE/EXECUTIVE

COURTHOUSE Henderson, Kentucky 42420

SANDY L. WATKINS  
HENDERSON COUNTY JUDGE/EXECUTIVE

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(270) 826-3971  
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### **Management's Discussion and Analysis June 30, 2004**

The financial management of Henderson County, Kentucky offers readers of Henderson County's financial statements this narrative overview and analysis of the financial activities of Henderson County for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

#### **Financial Highlights.**

- Henderson County had net assets of \$8,946,761 as of June 30, 2004. The fiscal court had unrestricted net assets of \$6,063,723 in its governmental activities as of June 30, 2004, with total net assets of \$8,919,871. In its enterprise fund, cash and cash equivalents were \$15,632 with total assets of \$26,890. Total debt principal as of June 30, 2004 was \$16,974,621 with \$579,717 due within one year.
- The governmental activities' total net assets increased by \$221,788 from the prior year. This increase is primarily due to construction in progress, the acquisition of land, the purchase of vehicles and equipment and increased expenditures in infrastructure.
- At the close of the current fiscal year, Henderson County governmental funds reported current assets of \$6,095,928. This amount is available for spending at the government's discretion (unreserved fund balance).
- Henderson County's total indebtedness at the close of fiscal year June 30, 2004 was \$16,974,621, of that \$16,394,904 is long-term debt (due after 1 year) and \$579,717 is short-term debt (to be paid within 1 year). Debt additions were \$7,080,000 for jail addition and reductions were \$4,594,533 for a total of increase of \$2,485,467.

#### **Overview of the Financial Statements.**

This management discussion and analysis is intended to serve as an introduction to Henderson County's basic financial statements. Henderson County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. The schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

**Henderson County**  
**Management's Discussion and Analysis**  
**June 30, 2004**  
**(Continued)**

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Henderson County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Henderson County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Henderson County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). Henderson County's governmental activities include general government, protection to persons and property, roads, recreation and culture, general health and sanitation, bus services, social services, other transportation facilities and services, debt service, and capital projects. Henderson County has one business type activity—the Jail Canteen Fund.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Henderson County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Henderson County can be divided into broad categories: *governmental funds and proprietary funds*.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

**Henderson County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

**Governmental Funds. (Continued)**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Henderson County maintains (10) ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Major Funds:

- General Fund
- Road Fund
- Jail Fund
- Capital Projects General Obligation Bond Fund
- Debt Service General Obligation Bond Fund

Non-major Funds:

- Local Government Economic Assistance Fund
- State Grant Fund
- Economic Development Fund
- Public Properties Corporation Capital Projects
- Public Properties Corporation Debt Service

Henderson County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

**Proprietary Fund.** The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statement provides separate information for the Jail Canteen Fund.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Net Assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

**Henderson County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

**Table 1  
Henderson County's Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2003	2004	2003	2004	2003	2004
<b>Assets</b>						
Current and other assets	\$ 4,332,754	\$ 6,95,928	\$ 18,105	\$ 15,632	\$ 4,350,859	\$ 6,111,560
Capital assets	18,872,852	19,798,564	5,782	11,258	18,878,634	19,809,822
Total Assets	23,205,606	25,894,492	23,887	26,890	23,229,493	25,921,382
<b>Liabilities</b>						
Current and other liabilities		579,717				579,717
Long-term liabilities	14,489,154	16,394,904			14,489,154	16,394,904
Total Liabilities	14,489,154	16,974,621			14,489,154	16,974,621
<b>Net Assets</b>						
Invested in capital assets, net of related debt	4,383,698	2,823,943	5,782	11,258	4,389,480	2,835,201
Restricted	33,582	32,205			33,582	32,205
Unrestricted	4,299,172	6,063,723	18,105	15,632	4,317,277	6,079,355
Total Net Assets	\$ 8,716,452	\$ 8,919,871	\$ 23,887	\$ 26,890	\$ 8,740,339	\$ 8,946,761

**Changes in Net Assets.**

*Governmental Activities.* Henderson County's net assets increased by \$221,788 in fiscal year 2004. The key element in that increase was the construction in progress at the Detention Center.

*Business-type Activities.* Henderson County's net assets increased by \$3,004. The key element in this increase was the purchase of a piece of machinery used for mowing for the inmates.

**Financial Analysis of the County's Funds.**

As noted earlier, Henderson County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

*Governmental Funds Overview.* The focus of Henderson County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**Henderson County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

**Financial Analysis of the County's Funds. (Continued)**

As of the end of June 2004 fiscal year, the combined ending fund balances of County governmental funds were \$6,032,716. Approximately 99% (\$5,951,356) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance is reserved to indicate that it is not available for new spending or it is committed for the various encumbrances.

The General Fund is the chief operating fund of Henderson County. At the end of June 30, 2004 fiscal year, unreserved fund balance of the General Fund was \$3,585,077. The County received \$3,709,556 in real and personal property, motor vehicle, and other taxes for approximately 54% of the county's general revenues. Various other service fees and miscellaneous revenues contribute to the remaining 46% of revenues.

The Road Fund is the fund related to County road and bridge construction and maintenance. Expenditures for fiscal year ending June 30, 2004 totaled \$2,728,462.

The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund's main source of revenue was from housing of prisoners. Transfers from other funds contributed \$1,538,400 to the jail operations.

The Local Government Economic Assistance Fund primary source of revenue comes from coal severance and mineral taxes. It had an ending balance of \$30,545.

The State Grant Fund is primarily made up of flow-through money for grants such as Juvenile Justice Grants were funding is from the state. The ending balance was \$18,379 of that amount \$8,520 was for grants that had not had fiscal court approval to be reimbursed yet.

The Economic Development Fund has not had much use in the past several years. Its ending balance was \$6,401 and the only activity was interest of \$45 for the year.

The Public Properties Corporation Capital Projects Fund had an ending balance of \$196,652. This is money that has not yet been spent upon the completion of the Judicial Center Project.

The Public Properties Corporation Debt Service Fund had an ending balance of \$1,414.

*Proprietary Funds Overview.* The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Henderson County's proprietary fund is the Jail Canteen Fund. The Jail Canteen Fund's total cash balance was \$15,632.

**Henderson County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

**Financial Analysis of the County's Funds. (Continued)**

**Table 2  
Henderson County's Comparison  
of General Revenue by Source and  
Program Expenses by Function**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2003	2004	2003	2004	2003	2004
<b>Revenue</b>						
General Revenue						
Transfer	4,159,406	4,786,297	165	122	4,159,571	4,786,419
Charges for Services	2,286,874	2,738,501	227,132	252,532	2,514,006	2,991,033
Operating Grants and Contributions	5,562,383	5,125,838			5,562,383	5,125,838
Capital Grants and Contributions	433,673	704,076			433,673	704,076
<b>Total Revenue</b>	12,442,336	13,354,712	227,297	252,654	12,669,633	13,607,366
<b>Expenses</b>						
General Government	4,780,628	4,992,274			4,780,628	4,992,274
Protection to Persons and Property	3,301,864	2,980,650			3,301,864	2,980,650
General Health and Sanitation	482,076	437,138			482,076	437,138
Social Services	221,532	272,144			221,532	272,144
Recreation and Culture	143,995	157,400			143,995	157,400
Roads	2,224,758	1,943,883			2,224,758	1,943,883
Bus Services	32,500	32,500			32,500	32,500
Other Transportation Facilities and Services	10,000				10,000	
Interest on Long Term Debt	807,346				807,346	
Debt Service		1,506,019				1,506,019
Capital Projects	116,695	810,916			116,695	810,916
Jail Canteen			228,626	249,650	228,626	249,650
<b>Total Expenses</b>	12,121,394	13,132,924	228,626	249,650	12,350,020	13,382,574

**Henderson County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

**General Fund Budgetary Highlights.**

Henderson County's budget was amended during the fiscal year increasing the budgeted amount by \$142,500. Budget amendments were made to various expenditures due to grants awarded, monies provided for road projects and excess prior year monies in the jail fund needed to offset unbudgeted medical costs.

**Capital Assets and Debt Administration.**

*Capital Assets.* Henderson County's investment in capital assets for its government and business type activities as of June 30, 2004, amount to \$19,809,822 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles, current infrastructure additions, construction in progress for park improvements, and old jail improvement. Henderson County has reported infrastructure assets per GASB 34 provisions.

Additional information of the County's capital assets can be found in Note 3 of this report.

**Table 3  
Henderson County's Capital Assets, Net of Accumulated Depreciation**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2003	2004	2003	2004	2003	2004
Infrastructure Assets	535,157	1,087,056	0	0	535,157	1,087,056
Land and Construction In Progress	397,212	1,106,543	0	0	397,212	1,106,543
Buildings	16,279,755	16,011,480	0	0	16,279,755	16,011,480
Vehicles and Equip.	1,660,728	1,593,485	5,782	11,258	1,666,510	1,604,743
Total Net Capital Assets	18,872,852	19,798,564	5,782	11,258	18,878,634	19,809,822

*Long-Term Debt.* At the end of the 2004 fiscal year, Henderson County had total bonded debt outstanding of \$16,974,621 from General Obligation Bonds and lease principal payments.

**Other Matters.** The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2005 fiscal year budget:

- The 2005 fiscal year adopted budget continues most services at current levels.
- The cost of housing prisoners and their medical bills will have a negative impact on funding for our detention center.
- The cost of solid waste should show a significant decrease since the county has adopted garbage pick-up by private haulers and no longer services the green box system.



**Henderson County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

**Requests For Information.**

This financial report is designed to provide a general overview of Henderson County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Henderson County Treasurer, 20 N. Main Street, Henderson, KY 42420.

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**HENDERSON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2004**



**HENDERSON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2004**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 6,032,716	\$ 15,632	\$ 6,048,348
Total Current Assets	<u>6,032,716</u>	<u>15,632</u>	<u>6,048,348</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Construction In Progress	588,331		588,331
Land and Land Improvements	518,212		518,212
Buildings	16,011,480		16,011,480
Vehicles and Equipment	1,593,485	11,258	1,604,743
Infrastructure Assets - Net of Depreciation	<u>1,087,056</u>		<u>1,087,056</u>
Total Noncurrent Assets	<u>19,798,564</u>	<u>11,258</u>	<u>19,809,822</u>
Total Assets	<u>25,831,280</u>	<u>26,890</u>	<u>25,858,170</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Bonds Payable	570,000		570,000
Financing Obligations Payable	<u>9,717</u>		<u>9,717</u>
Total Current Liabilities	<u>579,717</u>		<u>579,717</u>
Noncurrent Liabilities:			
Bonds Payable	16,385,000		16,385,000
Financing Obligations Payable	<u>9,904</u>		<u>9,904</u>
Total Noncurrent Liabilities	<u>16,394,904</u>		<u>16,394,904</u>
Total Liabilities	<u>16,974,621</u>		<u>16,974,621</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	2,823,943	11,258	2,835,201
Restricted For:			
General Fund	32,205		32,205
Unrestricted	<u>6,000,511</u>	<u>15,632</u>	<u>6,016,143</u>
Total Net Assets	<u>\$ 8,856,659</u>	<u>\$ 26,890</u>	<u>\$ 8,883,549</u>

The accompanying notes are an integral part of the financial statements.

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**HENDERSON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2004**

**HENDERSON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 4,992,274	\$ 1,024,180	\$ 2,331,651	\$ 323,966
Protection to Persons and Property	2,980,650	1,694,385	885,643	
General Health and Sanitation	437,138	3,826		
Social Services	272,144			
Recreation and Culture	157,400			
Roads	1,943,883	16,110	1,908,544	380,110
Bus Service	32,500			
Debt Service	1,506,019			
Capital Projects	810,916			
Total Governmental Activities	13,132,924	2,738,501	5,125,838	704,076
Business-type Activities:				
Jail Canteen Fund	249,650	252,532		
Total Business-type Activities	249,650	252,532		
Total Primary Government	\$ 13,382,574	\$ 2,991,033	\$ 5,125,838	\$ 704,076

**General Revenues:**

Taxes:

    Real Property Taxes

    Personal Property Taxes

    Motor Vehicle Taxes

    Insurance Premium Taxes

    Other Taxes

Excess Fees

Industrial Revenue Bond Lessee

Miscellaneous Revenues

Interest Received

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.



**HENDERSON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>Net (Expense) Revenue and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (1,312,477)	\$	\$ (1,312,477)
(400,622)		(400,622)
(433,312)		(433,312)
(272,144)		(272,144)
(157,400)		(157,400)
360,881		360,881
(32,500)		(32,500)
(1,506,019)		(1,506,019)
(810,916)		(810,916)
(4,564,509)		(4,564,509)
	2,882	2,882
	2,882	2,882
(4,564,509)	2,882	(4,561,627)
1,374,140		1,374,140
210,388		210,388
211,888		211,888
1,385,778		1,385,778
530,973		530,973
73,310		73,310
80,000		80,000
811,351		811,351
108,469	122	108,591
4,786,297	122	4,786,419
221,788	3,004	224,792
8,634,871	23,886	8,658,757
\$ 8,856,659	\$ 26,890	\$ 8,883,549

The accompanying notes are an integral part of the financial statements.

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**HENDERSON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2004**

**HENDERSON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2004**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Capital Projects General Obligation Bond Fund</b>	<b>Debt Service General Obligation Bond Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 3,639,687	\$ 69,854	\$ 121,475	\$ 1,913,224	\$ 35,085
Payroll Revolving Account	63,212				
Total Assets	<u>\$ 3,702,899</u>	<u>\$ 69,854</u>	<u>\$ 121,475</u>	<u>\$ 1,913,224</u>	<u>\$ 35,085</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Payroll Liabilities	\$ 63,212	\$	\$	\$	\$
Total Liabilities	<u>63,212</u>				
<b>FUND BALANCES</b>					
Fund Balances:					
Reserved for:					
Encumbrances	22,405				
General Fund	32,205				
Unreserved:					
General Fund	3,585,077				
Special Revenue Fund		69,854	121,475		
Debt Service Fund					35,085
Capital Projects Fund				1,913,224	
Total Fund Balances	<u>3,639,687</u>	<u>69,854</u>	<u>121,475</u>	<u>1,913,224</u>	<u>35,085</u>
Total Liabilities and Fund Balances	<u>\$ 3,702,899</u>	<u>\$ 69,854</u>	<u>\$ 121,475</u>	<u>\$ 1,913,224</u>	<u>\$ 35,085</u>

The accompanying notes are an integral part of the financial statements.

**HENDERSON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2004**  
**(Continued)**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 253,391	\$ 6,032,716
	63,212
<u>\$ 253,391</u>	<u>\$ 6,095,928</u>

<u>\$</u>	<u>\$ 63,212</u>
	63,212

26,750	49,155
	32,205
	3,585,077
28,575	219,904
1,414	36,499
<u>196,652</u>	<u>2,109,876</u>
<u>253,391</u>	<u>6,032,716</u>
<u>\$ 253,391</u>	<u>\$ 6,095,928</u>

**Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 6,032,716
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	23,191,177
Accumulated Depreciation	(3,392,613)
Liabilities:	
Due Within One Year - Bonds, Notes, and Lease Principal Payments	(579,717)
Due In More Than One Year - Bonds, Notes, and Lease Principal Payments	<u>(16,394,904)</u>
Net Assets Of Governmental Activities	<u>\$ 8,856,659</u>

The accompanying notes are an integral part of the financial statements.

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**HENDERSON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

**HENDERSON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Capital Projects General Obligation Bond Fund</b>
<b>REVENUES</b>				
Taxes	\$ 3,709,556	\$	\$	\$
In Lieu Tax Payments	83,047			
Excess Fees	73,310			
Licenses and Permits	241,803			
Intergovernmental	2,446,525	1,964,614	2,139,642	
Charges for Services		16,110	132,281	
Miscellaneous	228,650	18,351	321,963	
Interest	97,585	1,887	690	6,536
Total Revenues	<u>6,880,476</u>	<u>2,000,962</u>	<u>2,594,576</u>	<u>6,536</u>
<b>EXPENDITURES</b>				
General Government	3,140,755			
Protection to Persons and Property	443,833		2,755,540	
General Health and Sanitation				
Social Services				
Recreation and Culture	146,400			
Roads		2,329,201		
Bus Service				
Debt Service				
Capital Projects	211,893			588,331
Administration	739,870	399,261	466,175	
Total Expenditures	<u>4,682,751</u>	<u>2,728,462</u>	<u>3,221,715</u>	<u>588,331</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>2,197,725</u>	<u>(727,500)</u>	<u>(627,139)</u>	<u>(581,795)</u>
<b>Other Financing Sources (Uses)</b>				
Prior Year Adjustments	228	377	2,764	
Loan from Payroll Account			15,000	
Proceeds of Refunding Bonds				
Discount on Refunding Bonds				
Accrued Interest Received				
Payment to Refunded Bonds Escrow Agent				
Transfers From Other Funds	292,290	1,090,000	1,538,400	2,495,019
Transfers To Other Funds	(2,643,400)	(325,000)	(936,230)	
Total Other Financing Sources (Uses)	<u>(2,350,882)</u>	<u>765,377</u>	<u>619,934</u>	<u>2,495,019</u>
Net Change in Fund Balances	(153,157)	37,877	(7,205)	1,913,224
Fund Balances - Beginning (restated)	3,792,844	31,977	128,680	
Fund Balances - Ending	<u>\$ 3,639,687</u>	<u>\$ 69,854</u>	<u>\$ 121,475</u>	<u>\$ 1,913,224</u>

The accompanying notes are an integral part of the financial statements.



**HENDERSON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>Debt Service General Obligation Bond Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$	\$	\$ 3,709,556
		83,047
		73,310
		241,803
	1,585,027	8,135,808
		148,391
	285,367	854,331
117	1,651	108,466
117	1,872,045	13,354,712
	67,200	3,207,955
	307,371	3,506,744
	437,138	437,138
	272,144	272,144
	11,000	157,400
	76,570	2,405,771
	32,500	32,500
238,330	1,312,241	1,550,571
	10,692	810,916
32	135,080	1,740,418
238,362	2,661,936	14,121,557
(238,245)	(789,891)	(766,845)
		3,369
		15,000
7,080,000		7,080,000
(140,428)		(140,428)
35,000		35,000
(4,444,553)		(4,444,553)
238,330	888,700	6,542,739
(2,495,019)	(143,090)	(6,542,739)
273,330	745,610	2,548,388
35,085	(44,281)	1,781,543
	297,672	4,251,173
\$ 35,085	\$ 253,391	\$ 6,032,716

The accompanying notes are an integral part of the financial statements.

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**HENDERSON COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**



**HENDERSON COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$ 1,781,543
--	--------------

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Assets - Deletion	(8,062)
Capital Outlay	1,518,873
Depreciation Expense	(585,099)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds. These transactions, however, have no effect on net assets.

Bond Issuance	(7,080,000)
---------------	-------------

Lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources.

Financing Obligations	9,533
Bond Payments	<u>4,585,000</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 221,788</u></u>
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**HENDERSON COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2004**





**HENDERSON COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2004**

	<b>Business-Type Activities - Enterprise Fund</b>	<b>Jail Canteen Fund</b>
<b>Assets</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 15,632	
Total Current Assets	<u>15,632</u>	
Noncurrent Assets:		
Capital Assets:		
Vehicles and Equipment	27,000	
Less Accumulated Depreciation	<u>(15,742)</u>	
Total Noncurrent Assets	<u>11,258</u>	
Total Assets	<u>26,890</u>	
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	11,258	
Unrestricted	<u>15,632</u>	
Total Net Assets	<u><u>\$ 26,890</u></u>	

The accompanying notes are an integral part of the financial statements.

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**HENDERSON COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**



**HENDERSON COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 252,532
Total Operating Revenues	<u>252,532</u>
<b>Operating Expenses</b>	
Cost of Sales	(185,827)
Educational and Recreational	(44,748)
Depreciation	(2,924)
Miscellaneous	(16,151)
Total Operating Expenses	<u>(249,650)</u>
Operating Income (Loss)	<u>2,882</u>
<b>Nonoperating Revenues (Expenses)</b>	
Interest Income	122
Inmate Pay From State	5,804
Inmate Refunds	(5,804)
Total Nonoperating Revenues (Expenses)	<u>122</u>
Change In Net Assets	3,004
Total Net Assets - Beginning	<u>23,886</u>
Total Net Assets - Ending	<u><u>\$ 26,890</u></u>

The accompanying notes are an integral part of the financial statements.

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**HENDERSON COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**





**HENDERSON COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities</b>	
Receipts From Customers	\$ 252,532
Cost of Sales	(185,827)
Educational and Recreational	(44,748)
Miscellaneous	(16,151)
Net Cash Provided By Operating Activities	<u>5,806</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Inmate Pay From State	5,804
Inmate Refunds on Accounts	(5,804)
Net Cash Provided By Noncapital Financing Activities	<u></u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Capital Assets Purchased	(8,400)
Net Cash Used By Capital and Related Financing Activities	<u>(8,400)</u>
<b>Cash Flows From Investing Activities</b>	
Interest Earned	122
Net Cash Provided By Investing Activities	<u>122</u>
Net Decrease in Cash and Cash Equivalents	(2,472)
Cash and Cash Equivalents - July 1, 2003	<u>18,104</u>
Cash and Cash Equivalents - June 30, 2004	<u><u>\$ 15,632</u></u>

The accompanying notes are an integral part of the financial statements.

**HENDERSON COUNTY**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2004 (Continued)**

	<b>Business-Type Activities - Enterprise Fund</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	<b>Jail Canteen Fund</b>
Operating Income	\$ 2,882
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities	
Depreciation Expense	<u>2,924</u>
Net Cash Provided By Operating Activities	<u><u>\$ 5,806</u></u>

The accompanying notes are an integral part of the financial statements.

**HENDERSON COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2004**



**HENDERSON COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2004**

	<u>Agency Funds</u>	
	<u>Jail Inmate Fund</u>	<u>Jail Escrow Fund</u>
<b>Assets</b>		
Current Assets:		
Cash and Cash Equivalents	<u>\$ 51,275</u>	<u>\$ 11,338</u>
Total Assets	<u>51,275</u>	<u>11,338</u>
<b>Liabilities</b>		
Amounts Held In Custody For Others	<u>51,275</u>	<u>11,338</u>
Total Liabilities	<u>51,275</u>	<u>11,338</u>
<b>Net Assets</b>		
Total Net Assets	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2004**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government wide and fund financial statements utilizing a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and their corresponding depreciation expenses is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Henderson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or whose exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government.

**Blended Component Unit**

The following legally separate organization provides their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

**Henderson County Public Properties Corporation**

The Henderson County Fiscal Court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation. Financial information for the Public Properties Corporation is blended within Henderson County's financial statements. All activities of the Public Properties Corporation are accounted for within a governmental fund.

**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Henderson County Elected Officials Not Part Of Henderson County, Kentucky**

Kentucky law provides for election of the officials below from the geographic area constituting Henderson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two net of being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, and expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.



**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Capital Projects General Obligation Bond Fund - The purpose of this fund is to account for the financial resources to be used for the acquisition or construction of major capital facilities. The Governor's Office for Local Development does not require the Fiscal Court to report or budget these funds.

Debt Service General Obligation Bond Fund - The purpose of this fund is to account for debt service requirements of general obligation bonds of the Fiscal Court. The Governor's Office for Local Development does not require the Fiscal Court to report or budget these funds.

The primary government also has the following nonmajor funds: Local Government Economic Assistance Fund, State Grants Fund, Economic Development Fund, Public Properties Corporation Capital Projects Fund, and Public Properties Corporation Debt Service Fund. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 30, delinquent January 1 following the assessment, and subject to lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, State Grants Fund, and Economic Development Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Capital Projects Fund:

The Public Properties Corporation Capital Projects Fund accounts for the activities of the Courts Facility Fund, and Detention Center Facility Project a blended component unit of the county. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities. The purpose of this fund is to account for funds received from a bond issuance for the construction of a courts facility. The Governor's Office for Local Development does not require the Fiscal Court to report or budget these funds.

Debt Service Fund:

The Public Properties Corporation Debt Service Fund accounts for the activities of the Debt Service Fund, a blended component unit of the county. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest. The Governor's Office for Local Development does not require the Fiscal Court to report or budget these funds.

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statement or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Fiduciary Funds**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency funds, Jail Inmate Fund and the Jail Escrow Fund, is used to account for inmate monies held by the jailer for custodial purposes only. Unlike other funds, the agency funds report assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary funds:

**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Fiduciary Funds (Continued)**

Jail Inmate Fund - This fund accounts for funds received from inmates and held until inmate uses these funds.

Jail Escrow Fund - This fund accounts for funds received from inmates but jailer is unable to locate former inmates to return funds.

**E. Deposits**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificate of deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 50,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 25,000	10-50

**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Capital Projects General Obligation Bond Fund, Public Properties Corporation Capital Projects Fund, Debt Service General Obligation Bond Fund, and Public Properties Corporation Debt Service Fund are not budgeted. The Governor's Office for Local Development does not require the Fiscal Court to report or budget these funds.

**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**J. Related Organizations and Joint Venture**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Henderson County Fiscal Court: Tourism Commission and Regional Industrial Development.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Henderson County Fiscal Court:

**Henderson City-County Planning Commission**

The Henderson County Fiscal Court (Fiscal Court) has retained an ongoing financial responsibility for the Henderson City- County Planning Commission (Planning Commission). The Planning Commission is a joint venture between Fiscal Court and City of Henderson to assist and promote the orderly development of the county and cities. The Fiscal Court and City of Henderson are each responsible for fifty percent of the basic administration included in the budget of the Planning Commission. During fiscal year 2004, the Fiscal Court paid the Planning Commission \$162,794

**Tri-County Recycling**

The Henderson County Fiscal Court (Fiscal Court) has retained an ongoing financial responsibility for Tri-County Recycling. Tri-County Recycling is a joint venture between the Fiscal Court, Union County and Webster County, and the City of Henderson to provide recycling opportunities for each county. Each participant on a pro-rata basis pays the costs associated with Tri-County Recycling. During fiscal year 2004, the Fiscal Court paid Tri-County Recycling \$15,982.

**West Kentucky Regional Industrial Authority**

The Henderson County Fiscal Court (Fiscal Court) has retained an ongoing financial interest in the West Kentucky Regional Industrial Authority (Industrial Authority). The Industrial Authority is a joint venture between the Fiscal Court and Union, Webster and McLean County Fiscal Courts. Upon dissolution of the Industrial Authority, assets will be returned to the participating Fiscal Courts on a pro-rata basis.

**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 2. Deposits**

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2004, the primary government's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the county's agent in the county's name.

**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2004 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 397,212	\$ 121,000	\$	\$ 518,212
Construction In Progress		588,331		588,331
Total Capital Assets Not Being Depreciated	397,212	709,331		1,106,543
Capital Assets, Being Depreciated:				
Buildings	17,509,973			17,509,973
Vehicles and Equipment	3,266,736	177,265	(75,000)	3,369,001
Infrastructure	573,383	632,277		1,205,660
Total Capital Assets Being Depreciated	21,350,092	809,542	(75,000)	22,084,634
Less Accumulated Depreciation For:				
Buildings	(1,230,218)	(268,275)		(1,498,493)
Vehicles and Equipment	(1,606,008)	(236,446)	66,938	(1,775,516)
Infrastructure	(38,226)	(80,378)		(118,604)
Total Accumulated Depreciation	(2,874,452)	(585,099)	66,938	(3,392,613)
Total Capital Assets, Being Depreciated, Net	18,475,640	224,443	(8,062)	18,692,021
Governmental Activities Capital Assets, Net	<u>\$ 18,872,852</u>	<u>\$ 933,774</u>	<u>\$ (8,062)</u>	<u>\$ 19,798,564</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 18,600	\$ 8,400	\$	\$ 27,000
Total Capital Assets Being Depreciated	18,600	8,400		27,000
Less Accumulated Depreciation For:				
Vehicles and Equipment	(12,818)	(2,924)		(15,742)
Total Accumulated Depreciation	(12,818)	(2,924)		(15,742)
Total Capital Assets, Being Depreciated, Net	5,782	5,476		11,258
Business-Type Activities Capital Assets, Net	<u>\$ 5,782</u>	<u>\$ 5,476</u>	<u>\$ 0</u>	<u>\$ 11,258</u>

**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 165,129
Protection to Persons and Property	177,511
Roads, Including Depreciation of General Infrastructure Assets	<u>242,459</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 585,099</u></u>

Business-Type Activities

Jail Canteen	<u>\$ 2,924</u>
Total Depreciation Expense - Business Activities	<u><u>\$ 2,924</u></u>

**Note 4. Long-term Debt**

A. Detention Center

The Henderson County Public Properties Corporation entered into a bond issue, Henderson County Public Properties Corporation Lease Revenue Bonds (Detention Center Project) Series 1995 on June 29, 1995, for the purpose of paying the cost of constructing a new county detention facility and the cost of issuance of the bonds. The issue amount of the bonds was \$7,060,000.

The Henderson County Public Properties Corporation entered into a lease agreement with the County in which the County will lease from the Corporation the detention center facility in the amount of the aggregate of the interest on and the principal of the bonds, which are due and payable during the lease period, the cost of operation and maintenance of the project, the cost of insuring the project and the annual trustee fee. Rental payments are due semiannually on June 1st and December 1st of each year. The interest rate on the bonds is 5.00%.

On August 1, 2003, the County of Henderson, Kentucky issued General Obligation Refunding and Improvement Bonds (Detention Center Project), Series 2003. The bonds were for the purpose of (i) refunding the outstanding Henderson County Public Properties Corporation Lease Revenue Bonds (Detention Facility Project) Series 1995 maturing on June 1, 2007 through June 1, 2015, inclusive (the "Series 1995 Bonds") and (ii) paying the costs associated with the expansion, renovation, improvement and equipping of the Detention Facility. The outstanding balance as of June 30, 2004 of the unrefunded portion of the Series 1995 bonds is \$675,000.



**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**A. Detention Center (Continued)**

Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 330,000	\$ 33,750
2006	345,000	17,250
Totals	<u>\$ 675,000</u>	<u>\$ 51,000</u>

**B. Courts Facility**

The Henderson County Public Properties Corporation entered into a bond issue, Henderson County Public Properties Corporation Lease Revenue Bonds (Court Facilities Project), Series 2000 on April 15, 2000 for the purpose of financing the cost of the acquisition, construction, and equipping of a court facility and the cost of issuance of bonds. The issue amount of the bonds was \$9,975,000. The corporation and the County have entered into an annually renewable lease, dated April 15, 2000, wherein the County shall lease the courts facility from the corporation at an agreed rental, which will be used to pay the principal and interest on the bonds.

The Henderson County Public Properties Corporation and the Henderson County Fiscal Court entered into a lease/sublease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts (the "AOC"), in which the AOC wishes to use the courts facility and will sublease from the corporation the courts facility, and make payments in the amount of the court's share of the interest on and the principal of the construction of the courts facility, but not to exceed 8% annually of capital costs. The lease is renewable April 15 of each even numbered year. Rental payments are due semiannually on January 20 and July 20 of each year. The interest rate on the bonds is 5.55%. The outstanding balance as of June 30, 2004 was \$9,205,000.

**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

B. Courts Facility (Continued)

Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 235,000	\$ 493,542
2006	245,000	482,144
2007	260,000	470,200
2008	270,000	457,460
2009	285,000	444,096
2010-2014	1,655,000	1,988,330
2015-2019	2,130,000	1,502,886
2020-2024	2,785,000	851,228
2025-2026	1,340,000	113,668
Totals	<u>\$ 9,205,000</u>	<u>\$ 6,803,554</u>

C. Detention Facility

The County of Henderson, Kentucky issued bonds dated August 1, 2003, for the purpose of (i) refunding the outstanding Henderson County Public Properties Corporation Lease Revenue Bonds (Detention Facility Project) Series 1995 maturing June 1, 2007 through June 1, 2015, (ii) paying the costs associated with the expansion, renovation, improvement, and equipping of the Detention Facility located in Henderson, Kentucky. The issue amount of the bonds was \$7,080,000. Interest on the bonds will be payable semi-annually on June 1 and December 1 of the year commencing December 1, 2003. The bonds will mature on June 1 of each year thereafter. The outstanding balance as of June 30, 2004 was \$7,075,000.

**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**C. Detention Facility (Continued)**

Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 5,000	\$ 279,896
2006	5,000	279,796
2007	260,000	279,671
2008	265,000	272,521
2009	315,000	264,571
2010-2014	1,735,000	1,145,863
2015-2019	2,270,000	774,123
2020-2023	2,220,000	245,215
Totals	<u>\$ 7,075,000</u>	<u>\$ 3,541,656</u>

**D. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 14,460,000	\$ 7,080,000	\$4,585,000	\$16,955,000	\$ 570,000
Financing Obligations	29,154		9,533	19,621	9,717
Governmental Activities					
Long-term Liabilities	<u>\$ 14,489,154</u>	<u>\$ 7,080,000</u>	<u>\$ 4,594,533</u>	<u>\$16,974,621</u>	<u>\$ 579,717</u>

**Note 5. Short-term Debt**

In July 2003, Henderson County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note in the amount of \$2,637,400, with principal being due in January 2004. While the County did not use the borrowed funds in order to meet current General Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky Advance Revenue Program of \$765.

**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 5. Short-term Debt (Continued)**

Changes in Short-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental Activities:</u>				
Kentucky Advance Revenue Program	\$ 0	\$ 2,637,400	\$ 2,637,400	\$ 0
Governmental Activities Short-term Liabilities	<u>\$ 0</u>	<u>\$ 2,637,400</u>	<u>\$ 2,637,400</u>	<u>\$ 0</u>

**Note 6. Financing Obligations**

On May 14, 2003, the Henderson County Fiscal Court borrowed \$29,154 from Kentucky Association of Counties Leasing Trust for a phone system. The interest rate is 1.98%, with principal due annually and interest due monthly. The termination date is January 20 2006. The principal balance at June 30, 2004 was \$19,621. Future debt service requirements of the General Fund are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2005	\$ 9,717	\$ 431
2006	9,904	162
Totals	<u>\$ 19,621</u>	<u>\$ 593</u>

**Note 7. Interest On Long-term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$804 in interest on financing obligations and \$1,005,571 in interest on bonds.

**Note 8. Commitments and Contingencies**

A. Industrial Revenue Bonds

The Henderson County Fiscal Court has adopted ordinances approving the issuance of Industrial Revenue Bonds and Pollution Control Bonds. Such bond issues do not constitute a general debt, liability, or moral obligation of Henderson County. Accordingly, these financial statements do not include any assets or liabilities related to the issuance of these various bond issues.

B. Ambulance Service Agreement

In April 1983, the County of Henderson along with the City of Henderson entered into an agreement with Community Methodist Hospital for the operation of a County-wide ambulance service. The hospital agreed to operate the ambulance service with both the City and County reimbursing the hospital for any operating loss incurred on a quarterly basis. Expenses incurred under this agreement for fiscal year ended June 30, 2004, were \$182,249.

**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 8. Commitments and Contingencies (Continued)**

**C. Recycling Interlocal Agreement**

In response to KRS 224.830 and reducing solid waste stream at municipal landfills by 25%, the County of Henderson entered into an interlocal agreement with Union and Webster Counties and Cities of Henderson and Corydon establishing a Solid Waste Recycling Facility and Program for these areas. All parties have agreed to fund the operational expenses of this organization. The County is responsible for 22.5% of the Solid Waste Recycling Facility and Program operating expenses. Expenses incurred under this agreement for fiscal year ended June 30, 2004, were \$15,982.

**D. Solid Waste Transfer Station Interlocal Agreement**

The County of Henderson entered into an agreement with the City of Henderson to fund 50% of the construction and operation of a solid waste transfer station to be used in the collection and disposal of solid waste collected within the City and County. The agreement is for a five-year period, with the option to renew for four, consecutive, five-year terms unless written either party provides notice. The County's portion of operational costs for fiscal year ended June 30, 2004, was \$309,997.

**E. West Kentucky Regional Industrial Development Authority – Kenergy Loan Guarantee**

Henderson County in conjunction with Webster, Union, and McLean Counties issued an ordinance, which guarantees a portion of the \$450,000, zero-interest rural development loan made to Kenergy from the West Kentucky Regional Industrial Development Authority, to assist in promoting development of the 4Star industrial park. Henderson County authorized a guarantee of \$150,000. Webster County also guaranteed \$150,000 and Union and McLean Counties each guaranteed \$75,000.

**Note 9. Employee Retirement System**

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road Frankfort, Kentucky 40601-6124 or by telephone at (502) 564-4646.

**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 10. Deferred Compensation**

On March 1997, the Henderson County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, Kentucky 40601-8862.

**Note 11. Insurance**

For the fiscal year ended June 30, 2004, Henderson County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 12. Series 1995 Lease Revenue Bonds Defeasance**

On September 16, 2003 the Henderson County Fiscal Court deposited \$4,444,553 in the custody of the escrow agent, The Bank of New York for the partial defeasance of the Series 1995 Lease Revenue Bonds. This amount has been determined to meet \$4,040,000 of principal bond requirements maturing on and after July 1, 2006. The unrefunded principal amount of the bonds was \$990,000, which is the responsibility of the Henderson County Fiscal Court. On June 30, 2004 the General Obligation Bond Escrow Fund balance was \$4,273,653, with an outstanding principal balance of \$4,040,000.

**HENDERSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2004**





**HENDERSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2004**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 3,354,900	\$ 3,354,900	\$ 3,709,556	\$ 354,656
In Lieu Tax Payments	82,200	82,200	83,047	847
Excess Fees	80,639	80,639	73,310	(7,329)
Licenses and Permits	175,150	175,150	241,803	66,653
Intergovernmental Revenue	2,128,717	2,200,217	2,446,525	246,308
Charges for Services	2,016	2,016		(2,016)
Miscellaneous	56,100	127,100	228,650	101,550
Interest	150,000	150,000	97,585	(52,415)
Total Revenues	<u>6,029,722</u>	<u>6,172,222</u>	<u>6,880,476</u>	<u>708,254</u>
<b>EXPENDITURES</b>				
General Government	3,185,036	3,285,586	3,140,755	144,831
Protection to Persons and Property	478,554	469,387	443,833	25,554
Recreation and Culture	130,000	146,400	146,400	
Capital Projects	540,000	552,993	211,893	341,100
Administration	719,692	741,416	739,870	1,546
Total Expenditures	<u>5,053,282</u>	<u>5,195,782</u>	<u>4,682,751</u>	<u>513,031</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>976,440</u>	<u>976,440</u>	<u>2,197,725</u>	<u>(1,221,285)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Prior Year Adjustment			228	(228)
Transfers From Other Funds			292,290	(292,290)
Transfers To Other Funds	<u>(2,645,000)</u>	<u>(2,795,000)</u>	<u>(2,643,400)</u>	<u>(151,600)</u>
Total Other Financing Sources (Uses)	<u>(2,645,000)</u>	<u>(2,795,000)</u>	<u>(2,350,882)</u>	<u>(444,118)</u>
Net Changes in Fund Balance	<u>(1,668,560)</u>	<u>(1,818,560)</u>	<u>(153,157)</u>	<u>(1,665,403)</u>
Fund Balance - Beginning	<u>1,668,560</u>	<u>1,818,560</u>	<u>3,792,844</u>	<u>(1,974,284)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,639,687</u>	<u>\$ (3,639,687)</u>

**HENDERSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2004 (Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,075,953	\$ 1,760,953	\$ 1,964,614	\$ 203,661
Charges for Services	18,000	18,000	16,110	(1,890)
Miscellaneous	3,000	3,000	18,351	15,351
Interest	3,500	3,500	1,887	(1,613)
Total Revenues	<u>1,100,453</u>	<u>1,785,453</u>	<u>2,000,962</u>	<u>215,509</u>
<b>EXPENDITURES</b>				
Roads	1,821,500	2,541,175	2,329,201	211,974
Administration	540,750	506,075	399,261	106,814
Total Expenditures	<u>2,362,250</u>	<u>3,047,250</u>	<u>2,728,462</u>	<u>318,788</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,261,797)</u>	<u>(1,261,797)</u>	<u>(727,500)</u>	<u>(534,297)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Prior Year Adjustment			377	(377)
Transfers From Other Funds	1,230,000	1,230,000	1,090,000	140,000
Transfers To Other Funds			(325,000)	325,000
Total Other Financing Sources (Uses)	<u>1,230,000</u>	<u>1,230,000</u>	<u>765,377</u>	<u>464,623</u>
Net Changes in Fund Balance	(31,797)	(31,797)	37,877	(69,674)
Fund Balance - Beginning	<u>31,797</u>	<u>31,797</u>	<u>31,977</u>	<u>(180)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 69,854</u>	<u>\$ (69,854)</u>

**HENDERSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2004 (Continued)**

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 2,200,943	\$ 2,200,943	\$ 2,139,642	\$ (61,301)
Charges for Services	97,300	122,300	132,281	9,981
Miscellaneous	235,000	250,000	321,963	71,963
Interest	3,000	3,000	690	(2,310)
Total Revenues	2,536,243	2,576,243	2,594,576	18,333
EXPENDITURES				
Protection to Persons and Property	2,546,002	2,803,370	2,755,540	47,830
Debt Service	587,668	602,830		602,830
Administration	432,851	450,321	466,175	(15,854)
Total Expenditures	3,566,521	3,856,521	3,221,715	634,806
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	(1,030,278)	(1,280,278)	(627,139)	(653,139)
OTHER FINANCING SOURCES (USES)				
Prior Year Adjustment			2,764	(2,764)
Loan From Payroll Account			15,000	(15,000)
Transfers From Other Funds	990,000	1,240,000	1,538,400	(298,400)
Transfers To Other Funds			(936,230)	936,230
Total Other Financing Sources (Uses)	990,000	1,240,000	619,934	620,066
Net Changes in Fund Balance	(40,278)	(40,278)	(7,205)	(33,073)
Fund Balance - Beginning	40,278	40,278	128,680	(88,402)
Fund Balance - Ending	\$ 0	\$ 0	\$ 121,475	\$ (121,475)

**HENDERSON COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2004**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Capital Projects General Obligation Bond Fund and Debt Service General Obligation Bond Fund.

The State Local Finance Officer does not require the Capital Projects General Obligation Bond Fund and Debt Service General Obligation Bond Fund. Bond indentures and other relevant contractual provisions require specific annual payments to these funds and these transfers are budgeted in the governmental funds.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**HENDERSON COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2004**

**HENDERSON COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2004**

	<b>LGEA Fund</b>	<b>State Grant Fund</b>	<b>Economic Development Fund</b>	<b>Public Properties Corporation Capital Projects</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 30,545	\$ 18,379	\$ 6,401	\$ 196,652
Total Assets	<u>\$ 30,545</u>	<u>\$ 18,379</u>	<u>\$ 6,401</u>	<u>\$ 196,652</u>
<b>FUND BALANCES</b>				
Reserved for:				
Encumbrance	26,750			
Unreserved:				
Special Revenue Fund	3,795	18,379	6,401	
Debt Service Fund				
Capital Projects Fund				196,652
Total Fund Balances	<u>\$ 30,545</u>	<u>\$ 18,379</u>	<u>\$ 6,401</u>	<u>\$ 196,652</u>

**HENDERSON COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2004**  
**(Continued)**

<b>Public Properties Corporation Debt Service</b>	<b>Total Non-Major Governmental Funds</b>
\$ 1,414	\$ 253,391
<u>\$ 1,414</u>	<u>\$ 253,391</u>

	28,575
1,414	1,414
	<u>196,652</u>
<u>\$ 1,414</u>	<u>\$ 226,641</u>

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**HENDERSON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2004**

**HENDERSON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2004**

	<b>LGEA Fund</b>	<b>State Grant Fund</b>	<b>Economic Development Fund</b>	<b>Public Properties Corporation Capital Projects</b>
<b>REVENUES</b>				
Intergovernmental	\$ 531,718	\$ 323,967	\$	\$
Miscellaneous	41,217			
Interest	530	216	45	811
Total Revenues	<u>573,465</u>	<u>324,183</u>	<u>45</u>	<u>811</u>
<b>EXPENDITURES</b>				
General Government	67,200			
Protection to Persons and Property	160,191	147,180		
General Health and Sanitation	437,138			
Social Services	88,694	183,450		
Recreation and Culture	11,000			
Roads	76,570			
Bus Services	32,500			
Debt Service				
Capital Projects				10,692
Administration				109
Total Expenditures	<u>873,293</u>	<u>330,630</u>	<u></u>	<u>10,801</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(299,828)</u>	<u>(6,447)</u>	<u>45</u>	<u>(9,990)</u>
<b>Other Financing Sources (Uses)</b>				
Transfer From Other Funds	415,000			
Transfer To Other Funds	(110,000)			(33,090)
Total Other Financing Sources (Uses)	<u>305,000</u>	<u></u>	<u></u>	<u>(33,090)</u>
Net Change in Fund Balances	5,172	(6,447)	45	(43,080)
Fund Balances - Beginning	25,373	24,826	6,356	239,732
Fund Balances - Ending	<u>\$ 30,545</u>	<u>\$ 18,379</u>	<u>\$ 6,401</u>	<u>\$ 196,652</u>

**HENDERSON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>Public Properties Corporation Debt Service</b>	<b>Total Non-Major Governmental Funds</b>
\$ 729,342	\$ 1,585,027
244,150	285,367
49	1,651
<u>973,541</u>	<u>1,872,045</u>
	67,200
	307,371
	437,138
	272,144
	11,000
	76,570
	32,500
1,312,241	1,312,241
	10,692
134,971	135,080
<u>1,447,212</u>	<u>2,661,936</u>
<u>(473,671)</u>	<u>(789,891)</u>
473,700	888,700
	(143,090)
<u>473,700</u>	<u>745,610</u>
29	(44,281)
1,385	297,672
<u>\$ 1,414</u>	<u>\$ 253,391</u>

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**HENDERSON COUNTY  
COMMENT AND RECOMMENDATION**

**For The Year Ended June 30, 2004**



**HENDERSON COUNTY  
COMMENT AND RECOMMENDATION**

**Fiscal Year Ended June 30, 2004**

STATE LAWS AND REGULATIONS

The County Should Adopt An Administrative Code In Accordance With KRS 68.005

KRS 68.005 requires the County to adopt an administrative code as noted below. As of June 30, 2004, the County had failed to comply with KRS 68.005

- (1) The fiscal court shall adopt a county administrative code, which includes, but is not limited to, procedures and designation of responsibility for:
  - (a) General administration of the office of county judge/executive, county administrative agencies, and public authorities;
  - (b) Administration of county fiscal affairs, including budget formulation, receipt and disbursement of county funds and preparation of records required for the county audit, and filing of claims against the county;
  - (c) Personnel administration, including description and classification of non-elected positions, selection, assignment, supervision and discipline of employees, employee complaints and the county affirmative action program;
  - (d) County purchasing and award of contracts;
  - (e) Delivery of county services.
- (2) The fiscal court shall review the county administrative code annually during the month of June and may by a two-thirds majority of the entire fiscal court amend the county administrative code at that time. The county judge/executive may at other times prepare and submit amendments to the code for the approval of a majority of the fiscal court.

*County Judge/Executive Sandy Lee Watkins' Response:*

*An administrative code has been presented to fiscal court but has not been voted upon.*

PRIOR YEAR FINDING

The Fiscal Court Should Adopt An Administrative Code - This was not corrected and is discussed above.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Sandy Lee Watkins, Henderson County Judge/Executive  
Members of the Henderson County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henderson County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated December 3, 2004. Henderson County prepares its financial statements according to a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Henderson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henderson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Fiscal Court Should Adopt An Administrative Code In Accordance With KRS 68.005



Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of Henderson County Fiscal Court, management, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
December 3, 2004

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**HENDERSON COUNTY FISCAL COURT**

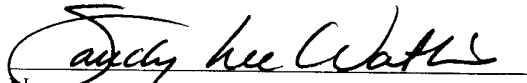
**For The Fiscal Year Ended  
June 30, 2004**




CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
HENDERSON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2004

The Henderson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
Name

County Judge/Executive

  
Name

County Treasurer

